

## Middle Class Economics: Advancing Economic Opportunity and Mobility

The President's 2016 Budget is designed to bring middle class economics into the 21st Century. This Budget shows what we can do if we invest in America's future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class and help America's hard-working families get ahead in a time of relentless economic and technological change. And it makes the critical investments needed to accelerate and sustain economic growth in the long run, including in research, education, training, and infrastructure.

These proposals will help working families feel more secure with paychecks that go further, help American workers upgrade their skills so they can compete for higher-paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill, while also fulfilling our most basic responsibility to keep Americans safe. We will make these investments, and end the harmful spending cuts known as sequestration, by cutting inefficient spending and reforming our broken tax code to make sure everyone pays their fair share. We can do all this while also putting our Nation on a more sustainable fiscal path. The Budget achieves about \$1.8 trillion in deficit reduction, primarily from reforms to health programs, our tax code, and immigration.

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We have to help more Americans get the education and skills they need to reach their full potential and share in - and help drive - our economic progress. That means investing in our youngest children, whose brains and potential are developing, so they can thrive and succeed in school; making our public schools work for all students, putting each of them on a path to college and career; opening the doors of college to everyone; and training today's workers with the skills they will need for tomorrow's jobs. The promise of America is opportunity, and this Budget seeks to make good on that promise.

Education and training are important components of opportunity and advancement but there are others as well. That's why the Budget makes strengthening struggling communities a priority, helping build neighborhoods of opportunity for all Americans. And it is why the Budget supports pro-work anti-poverty tax credits, affordable quality health care, a strengthened unemployment insurance system that helps workers when they lose their jobs, and a robust safety net that helps reduce the extent and depth of poverty while promoting opportunities so that children and families can move up the economic ladder.

### MAKING EDUCATION WORK FOR ALL STUDENTS

**Expanding Access to High-Quality Early Childhood Education.** High-quality child care and early education for young children serves two important functions: it supports parents in the workforce and it helps support healthy child development and school readiness. The Budget expands access to high-quality early childhood education while also investing in innovation and evaluation to continue to build the evidence base about what works for our youngest learners. The Budget:

- **Expands access to quality, affordable child care.** The Administration proposes a historic investment in child care to ensure that quality, affordable care is available to all eligible low- and moderate-income working families with young children, as opposed to the small share of children who receive this help today. This proposal will expand access to high-quality care for

more than 1.1 million additional children under age four by 2025 and help States build a supply of quality care that families can access. The Budget also includes funding to help States implement the changes required by the new bipartisan Child Care and Development Block Grant Act of 2014 and for competitive pilot projects to develop, implement, and evaluate innovative models of providing care that meet the needs of working families.

- **Cuts taxes for families paying for child care with a credit of up to \$3,000 per child.** The Budget triples the maximum Child and Dependent Care Tax Credit (CDCTC) for families with children under age five and makes the full CDCTC available to families with incomes of up to \$120,000, benefiting families with young children, older children, and dependents who are elderly or have disabilities. Meanwhile, the Budget would eliminate tax preferences for flexible spending accounts (FSAs) for child care expenses, which are poorly targeted and complex, reinvesting the savings in the improved CDCTC. The child care tax reforms would benefit 5.1 million families, helping them cover costs for 6.7 million children.
- **Increases the duration of Head Start programs and invests in high quality infant and toddler care.** The Budget expands access to high-quality care for tens of thousands of additional infants and toddlers through Early Head Start-Child Care Partnerships, and provides over \$1 billion in additional funding for Head Start to make sure children are served in full-day, full-year programs that research shows lead to better outcomes for children.
- **Supports universal preschool.** The Preschool for All initiative, in partnership with the States, provides all four-year-olds from low- and moderate-income families with access to high-quality preschool, while encouraging States to expand those programs to reach additional children from middle-class families and establish full-day kindergarten policies.
- **Lays the groundwork for Preschool for All.** The Budget provides \$750 million for the Department of Education's Preschool Development Grants, a substantial increase of \$500 million over the 2015 level. Preschool Development Grants are currently helping 18 States develop and expand high-quality preschool programs in targeted communities; the Budget will increase that number to over 40 States.
- **Invests in voluntary, evidence-based home visiting.** The Budget extends and expands evidence-based, voluntary home visiting programs, building on research showing that home visits by a nurse, social worker, or other professional during pregnancy and in the early years of life can significantly reduce child abuse and neglect, improve parenting, and promote child development and school readiness.

**Advancing K-12 Reforms through Programs Showing Results.** Over the past six years, the Administration has worked with States and school districts to help all children meet rigorous college- and career ready standards. To reach that goal, the Administration has promoted evidence-based initiatives that improve low-performing schools and support effective teaching and school leadership. Forty-eight states and the District of Columbia have raised standards for learning in their schools and are supporting the hard work teachers and principals are doing to enable their students to succeed. Innovation, data analysis, and evaluation have been key to these efforts. And, the signs of progress are clear: the high school graduation rate is the highest on record and students are making academic gains.

The Budget continues to invest in priority education programs, in ways that will make a difference for students. The Budget:

- **Ensures Equity of Opportunity.** Title I is the Department of Education's largest K-12 grant program and the cornerstone of its commitment to supporting low-income schools with the funding necessary to provide high-need students with access to an excellent education. The Budget provides \$15.4 billion, a \$1 billion increase, for this program. In addition, the Budget proposes \$100 million to support districts that are using their Federal formula funds for evidence-based interventions, and includes a pilot opportunity for districts that equitably distribute State, local and Federal funds to schools to receive relief from federal reporting and fiscal requirements
- **Improves Outcomes for Students with Disabilities.** The Budget includes \$11.7 billion for Individuals with Disabilities Education Act (IDEA) grants to States, a \$175 million increase, to help states pay the additional costs of special education, and implement a new "Results Driven Accountability" system that will ensure districts focus on improving outcomes for students with disabilities.
- **Supports our Teachers.** To build on the major reforms States have made in their teacher and principal evaluation policies, the Budget directs \$3 billion towards the goals of preparing teachers for success in the classroom and supporting that success throughout their career. This investment includes \$200 million for an improved Education Technology State Grants program focused on providing educators with training and support to maximize the impact of expanded access to technology to provide high-quality, personalized instruction to students. The Budget also supports a companion initiative funded at \$1 billion annually for five years in mandatory funding that will support bold, comprehensive State and local efforts to attract the best candidates to the teaching profession and prepare them for the demands of the classroom, while also creating a culture of excellence and professional growth for teachers throughout their careers.
- **Builds Evidence and Encourages Innovation.** The Budget funds the Investing in Innovation program at \$300 million, a \$180 million increase over 2015 enacted, to develop and test effective practices and provide better information to States and districts on what works in key areas such as implementing college- and career-ready standards, using data to inform instruction and personalize learning, and improving low-performing schools.
- **Creates Great Schools.** A new \$125 million competitive program will promote the re-design of America's high schools by integrating deeper learning, student-centered instruction, and career-related experiences, with a particular focus on science, technology, engineering, and math (STEM) themed high schools that expand opportunities for girls and other groups underrepresented in STEM fields. The Budget invests \$556 million, a \$50 million increase over 2015 enacted, in School Improvement Grants, to expand the use of evidence-based approaches to turning around our lowest performing schools, including high schools with unacceptably low graduation rates. The Budget also provides \$375 million for Charter Schools, an additional \$122 million, to significantly increase the expansion and replication of high-quality charter schools in high-need communities.

- **Implements Neighborhood-based Strategies.** The Budget provides \$150 million to support current Promise Neighborhoods and create up to 25 more to support local partnerships to develop and implement comprehensive, neighborhood-based plans for meeting the cradle-to-career educational, health, and social service needs of children and families in high-poverty communities
- **Improves STEM Education.** The Budget invests \$3 billion to improve STEM education across the government. This includes \$202 million for Department of Education's K-12 Math and Science Partnerships and \$135 million for improving undergraduate education at the National Science Foundation.
- **Keeps Our Schools Safe.** The Budget continues support for the President's plan to reduce gun violence and increase school safety, by providing more than \$80 million to help schools create safer and more nurturing school climates through evidence-based behavioral intervention practices, provide support and services to children exposed to pervasive violence, and provide technical assistance and disseminate best practices on school safety and climate.

**Making a High-Quality College Education More Affordable.** An estimated two-thirds of job openings will require some postsecondary education and training by 2020. The President has placed a high priority on making college affordable and helping Americans obtain a meaningful college certificate or degree. Beginning in 2009, the Administration has increased the maximum Pell Grant by more than \$1,000, to \$5,775 in school year 2015-16, and provided additional tax benefits to help families pay for college. The Administration ended subsidies to banks under the guaranteed student loan program and reinvested those savings to help more students and families afford college with increased funding to the Pell Grant program. In addition, the Administration has expanded income-driven repayment options, such as the President's Pay As You Earn plan, to help more borrowers manage their student loan debt. In 2013, the Department of Education introduced the College Scorecard to provide critical information about college value to assist prospective students and their families in the college search and selection process, and the President announced the development of a college ratings system to identify colleges providing the best value and encourage all colleges to improve.

The Budget builds on this progress and charts a path forward on the President's plan to make college more affordable. The Budget:

- **Provides Tuition-Free Community College for Responsible Students.** The President's America's College Promise proposal makes community college free for responsible students, enabling them to earn a certificate, an associate's degree or up to two years' worth of credits towards a bachelor's degree without paying any tuition or fees. Everyone will be required to do their part: 1) states must invest more in higher education and training 2) community colleges must strengthen their programs and increase the number of students who graduate, and 3) students must take responsibility for their education, earn good grades, and stay on track to graduate. Students would continue to qualify for federal student aid (including Pell grants), which could help cover other costs of attendance, such as books, supplies, housing, and transportation.
- **Ensures that Pell Grants Keep Pace with Inflation.** Pell Grants are central to our efforts to help low and moderate income students afford college. In the 2014-15 award year, Pell Grants

provided an estimated \$31 billion in college aid to 8.2 million students. Since 2013, Pell Grants have been adjusted for inflation annually, but unless Congress acts, this will end in 2017 and the value of Pell Grants will start to erode, making it even harder for families to afford college. The Budget addresses this, supporting the continued indexing of Pell Grants, to ensure that their value is not eroded by inflation.

- **Keeps Student Loans Manageable.** The Administration is helping student borrowers with existing debt manage their obligations through income-driven repayment plans, such as the Pay-As-You-Earn (PAYE) plan, which cap student loan payments at 10 percent of monthly discretionary income. The Department of Education has contacted struggling borrowers to make sure they are aware of these new options, and ensured that they have the information they need to choose the best one to help them responsibly manage their debt. The Budget proposes to extend PAYE to all student borrowers and reform the PAYE terms to ensure that the program is well-targeted and to safeguard the program for the future.
- **Simplifies and Expands Education Tax Benefits.** While the creation of the American Opportunity Tax Credit (AOTC) in 2009 made college more affordable for millions of students and their families, our system of tax incentives for higher education is complex, and families are sometimes unable to take full advantage of the benefits. Building on bipartisan reform proposals, the Budget would simplify, consolidate, and expand higher education tax credits. It would cut taxes for 8.5 million families and students, simplify taxes for the more than 25 million families and students that claim education tax benefits, and provide students working toward a college degree with up to \$2,500 of assistance each year for five years.
- **Supports Minority Serving Institutions and College Access for Minority Youth.** The Budget sustains funding for Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) and increases funding for TRIO. These programs help disadvantaged students prepare for, enroll, and complete postsecondary education. The increase in funding would support a TRIO Demonstration Initiative to test new approaches to foster college success. The Budget also provides a 30 percent set-aside for Minority-Serving Institutions in the \$200 million First in the World competition to drive innovations in higher education that increase college completion, value, and affordability.
- **Drives Performance and Innovation in Higher Education.** To drive performance and improve outcomes in higher education, the Budget:
  - Expands the First in the World fund to \$200 million, to identify and expand promising and evidenced-based innovations and practices at colleges and universities across the country to dramatically improve educational outcomes for all students and make college more affordable;
  - Provides new College Opportunity and Graduation Bonuses to reward colleges that successfully enroll and graduate a significant number of low- and moderate-income students;
  - Proposes a new \$200 million CTE Innovation Fund to create the American Technical Training Fund, which would provide competitive grants to support the development, operation and expansion of evidence-based training programs, in partnership with industry, for skilled jobs in high-demand fields that provide a path to the middle class for low-income individuals; and

- Strengthens academic progress requirements in the Pell Grant program to encourage students to complete their studies on time.

## **TRAINING WORKERS FOR HIGH-DEMAND JOBS AND CAREERS**

As our economy changes we need to ensure that the Nation's workers have the skills they need to succeed in family-supporting jobs. The Administration builds on the bipartisan Workforce Innovation and Opportunity Act (WIOA) with investments that connect workers with good jobs, prepare workers with the skills employers need, and partner with employers to create more on-the-job training and apprenticeship opportunities so workers can learn the skills they need for better, higher-paying jobs and earn wages while they are training.

**Creating Pathways to High-Growth Jobs.** Last year, Congress came together and passed important improvements to the Nation's job training system with the bipartisan Workforce Innovation and Opportunity Act (WIOA). To build on this progress, the Budget increases funding for the core WIOA grants and provides \$1.2 billion, a \$500 million increase over the 2015 enacted level, to support in-person employment services for unemployed workers to help them find a good job or the training or services they need prepare for one. This investment would reach the one-third of unemployment insurance beneficiaries who are most likely to run out of benefits before getting reemployed, all returning veterans who receive unemployment benefits, and other displaced workers who come into American Job Centers. Evidence suggests that these types of services are a cost-effective intervention that get workers back into jobs faster, and help employers to fill their in-demand jobs. For workers who need job training to get back on their feet, the Budget provides \$16 billion over ten years to double the number of workers receiving training through the workforce development system. This training would focus on industries that are expected to experience significant growth in the coming decades, such as health care, energy, advanced manufacturing, transportation and logistics, cybersecurity, and information technology. Additional funding would also be available to provide training, subsidized employment and need-based stipends for the long-term unemployed.

**Spreading the Development and Adoption of Industry-Validated Credentials.** The Budget provides \$500 million for Industry Credentialing and Career Pathways Grants, including \$300 million specifically targeted at information technology jobs. These grants would be competitively awarded to create employer-validated credentials where they do not yet exist, drive additional employer uptake of credentials that do exist, and develop curricula and assessments that lead to the credential. Grants would be awarded to employer collaboratives in partnership with the workforce system, post-secondary institutions such as community colleges, and other innovative education and training providers.

**Expanding Learn and Earn Strategies.** The Budget includes a \$2 billion Apprenticeship Training Fund to help more employers come to the table to provide high-quality on-the-job training through apprenticeship. Of the \$2 billion Apprenticeship Training Fund, \$1.5 billion would be used to provide states and regions with resources to encourage greater employer participation in apprenticeship and make this model available to a broader range of workers. The remaining \$500 million would create an innovation fund to reward partnerships between states, cities, regions, non-profits, employers, labor unions, and training providers to expand apprenticeships. The President's Apprenticeship Training Fund proposal builds on bipartisan momentum underway to increase support for apprenticeships. The Budget also includes \$100 million in discretionary funding for apprenticeship grants to States,

industry, and community based organizations to build capacity to develop or expand registered apprenticeship programs.

**Supporting Work Opportunities for Low-Income Out-of Work Parents and Youths.** The Budget proposes to redirect \$573 million in annual Temporary Assistance for Needy Families (TANF) funding to a Pathways to Jobs initiative, which will support State partnerships with employers to provide subsidized job opportunities for low-income individuals. This proved in recent years to be an effective strategy for getting disadvantaged adults back into the workforce, and the Budget proposes to build on that success.

**Reforming Federal Job Training to Better Connect Workers with Good Jobs.** In last year's State of the Union, the President asked Vice President Biden to lead an across-the-board review of America's job training programs to ensure they share a single mission: providing workers with the skills they need to secure good jobs that are ready to be filled. In July, after engaging with business, labor, and the workforce community, the Vice President delivered a report that details specific actions that the Administration is taking and can take in the future as a result of this review. Specifically, the Administration has created a job-driven checklist that will guide administrative action to ensure that what's working best becomes what all Americans can expect when they participate in a federally funded training program. The checklist includes best practices such as engaging with employers in training partnerships to fill in-demand jobs in growing fields, expanding on-the-job training and apprenticeships, and using data to guide smarter choices and achieve better employment outcomes. The Administration already awarded over \$1 billion in competitive grants to organizations last year that applied this checklist, channeling training resources to growing sectors. For example, over \$300 million was awarded to partnerships to train and hire for in-demand IT occupations. Additionally, the Administration is working to incorporate the checklist into existing programs and grants. For example, training for vocational rehabilitation counselors now includes training in employer engagement and use of labor market information to identify in-demand fields.

**Reducing Unnecessary Occupational Licensing.** The Budget seeks to reduce occupational licensing barriers that keep people from doing the jobs they have the skills to do by putting in place unnecessary training and high fees. The Budget proposes a \$15 million increase for grants to states and partnerships of states for the purpose of identifying, exploring, and addressing areas where occupational licensing requirements create an unnecessary barrier to labor market entry or labor mobility and where interstate portability of licenses can support economic growth and improve economic opportunity, particularly for dislocated workers, transitioning servicemembers, veterans, and military spouses.

**Helping Disconnected Youth Get Back on Track.** The Budget provides \$3 billion for the Connecting for Opportunity initiative, which offers youth additional summer- and year-round subsidized job opportunities and supports competitive grants to municipalities to engage disconnected youth in school and work. Additionally, the Budget provides funding for 13,000 summer positions for disconnected youth through AmeriCorps, giving young people an opportunity to earn a living stipend and an educational award for college expenses.

The Budget also authorizes up to 10 new Performance Partnership Pilots for Disconnected Youth. Building on provisions in FY 2014 and FY 2015 appropriations bills, this would create a third round of pilots letting States, tribes, and localities blend certain discretionary funding and receive waivers under multiple youth-serving programs in order to improve education, employment, and other key outcomes, building evidence about more effective ways to help vulnerable youth. Based on the promise of this

model, the Administration worked with Congress to expand this pilot authority to an additional agency in FY 2015. The first pilots will be selected this spring or summer.

**Expanding Technical Training Programs at Community Colleges for Middle Class Jobs in Communities.** Community colleges, like those in Tennessee and Texas, that build strong employer partnerships and offer training in in-demand fields are creating career pathways to the middle class. The Budget requests \$200 million for a new American Technical Training Fund to create or expand innovative, evidence-based job training programs in high-demand fields that provide a path to the middle class. Projects would emphasize strong employer partnerships, work-based learning opportunities, accelerated training, and flexible scheduling for students to accommodate part-time work. Programs could be created within current community colleges, other innovative, non-traditional training providers, or these entities in partnership with secondary programs. This initiative would be housed in the Career and Technical Education Innovation Fund, jointly administered by the Department of Education and the Department of Labor and builds on the Trade Adjustment Assistance Community College and Career Training Grants (for which 2014 was the final year of funding).

## **PROVIDING ASSISTANCE TO VULNERABLE POPULATIONS AND INVESTING IN THE HARDEST-HIT COMMUNITIES**

**Preventing Hunger.** The Administration strongly supports the Supplemental Nutrition Assistance Program (SNAP) and other programs that reduce hunger and help families meet their nutritional needs. SNAP is the cornerstone of our Nation's nutrition assistance safety net, touching the lives of nearly 47 million Americans, the majority of whom are children, the elderly, or people with disabilities. Recent research has shown that SNAP not only helps families put food on the table, but it has a positive long-term impact on children's health and education outcomes. In addition to supporting SNAP, the Budget also invests \$67 million to support summer electronic benefit transfer (EBT) pilots, which are proving successful in reducing childhood hunger and improving nutrition in the months when school meals are unavailable.

**Supporting Healthy Eating.** The Budget supports the ongoing implementation of the Healthy, Hunger-Free Kids Act of 2010 with an investment of \$35 million in school equipment grants, \$10 million above the 2015 enacted level, to aid in the provision of healthy meals. The Budget provides \$6.6 billion to support the 8.5 million individuals expected to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which is critical to the health of pregnant women, new mothers, infants, and young children. The Budget also provides funding for the Administration's Healthy Food Financing Initiative to increase the availability of affordable, healthy food options in underserved communities, including \$35 million in grants through the Department of the Treasury's Community Development Financial Institutions Fund, and \$13 million through USDA's Healthy Food Financing Initiative authorized by the Agricultural Act of 2014, which more than doubles Government-wide support above the 2015 enacted level.

**Building Ladders of Opportunity for Boys and Young Men.** Last year the President launched *My Brother's Keeper*, a new initiative to address persistent opportunity gaps faced by boys and young men of color and ensure that all young people can reach their full potential. An interagency task force is working to improve how the Federal Government's own policies and programs can better support these efforts. Hundreds of local governments, philanthropies, and local businesses have responded to the President's call to action to implement their own cradle-to-college-and-career strategies for improving the life outcomes of all young people to ensure that they can reach their full potential, regardless of



who they are, where they come from, or the circumstances into which they are born. The Budget provides support for many efforts that will help achieve the goals of the My Brother's Keeper initiative, including youth jobs programs, juvenile justice reforms, initiatives to curb the high school dropout rate for disconnected youth, investments in community college and efforts to improve postsecondary education success, and technical assistance to communities working to improve life outcomes to put all youth in America on a path to success.

**Helping Workers with Disabilities Remain in the Workforce.** The Budget provides new authority and \$400 million in resources for the Social Security Administration (SSA), in partnership with other Federal agencies, to test innovative strategies to help people with disabilities remain in the workforce. Early-intervention measures, such as supportive employment services for individuals with mental impairments, targeted incentives for employers to help workers with disabilities remain on the job, and incentives and opportunities for States to better coordinate services, have the potential to achieve long-term gains in the employment and the quality of life of people with disabilities, and the proposed demonstrations will help build the evidence base for future program improvements.

**Improving Employment Outcomes for HUD-Assisted Households.** The Budget increases job training and financial incentives to help public housing residents secure employment and increase their earnings through the Department of Housing and Urban Development's (HUD) Jobs-Plus program, which has been shown to boost annual incomes by \$1,300 on average. The Budget provides \$100 million for Jobs-Plus to target assistance to approximately 20,000 individuals, or about 15,000 more than in 2015. The request includes up to \$15 million to implement a demonstration of the Jobs-Plus model in Indian Country. The Budget also provides \$85 million for the Family Self-Sufficiency (FSS) program to link HUD-assisted households with job training, child care, transportation, financial literacy and other supportive services, and help them build assets through interest-bearing escrow accounts.

**Supporting Affordable Rental Housing for 4.7 million Families.** Housing assistance not only helps families make ends meet, it can help families move to communities with greater opportunities and can increase housing stability. The Budget includes \$21.1 billion for the Housing Choice Voucher program (\$1.8 billion more than the 2015 enacted level) to help approximately 2.4 million low-income families afford decent housing in neighborhoods of their choice. In addition to supporting all existing vouchers, the Budget provides funding to restore approximately 67,000 incremental vouchers lost in 2013 due to sequestration, including new vouchers to provide housing assistance to families, veterans, and tribal families experiencing homelessness, victims of domestic or dating violence, youth aging out of foster care, and families with children in the foster care system for whom assistance could facilitate reunification. HUD will work with the appropriate agencies so that wraparound services are provided to these populations. The Budget also includes \$10.8 billion for the Project-Based Rental Assistance program to maintain affordable rental housing for 1.2 million families, and \$6.5 billion in operating and capital subsidies to preserve affordable public housing for 1.1 million families, an increase of \$0.2 billion over the 2015 enacted level. Further, the Budget provides \$50 million for the Rental Assistance Demonstration (RAD), which leverages private financing to reduce backlogs of capital repairs. These funds will be targeted to public housing properties in high-poverty neighborhoods, including designated Promise Zones, where the Administration is also supporting comprehensive revitalization efforts.

**Ending Homelessness.** In partnership with communities across the country, the Administration has made significant progress toward the President's ambitious goals of ending homelessness, especially

among veterans. Major cities, including Salt Lake City, Utah and Phoenix, Arizona, have ended chronic homelessness among veterans. And in January, New Orleans, Louisiana became the first major American city to end veteran homelessness entirely. Nationally, veteran homelessness is down 33 percent and the total number of people experiencing chronic homelessness on a single night is down 21 percent from 2010 to 2014.

With continued focus from Federal, state and local partners, we are on a path to end veteran homelessness by the end of 2015. The Budget includes \$2.5 billion for HUD's Homeless Assistance Grants, which will support 15,000 additional families through rapid rehousing and an estimated 25,500 new units of permanent supportive housing targeted to the chronically homeless. These funds, in coordination with the targeted special purpose Housing Choice Vouchers, will support the Administration's efforts to end chronic homelessness in 2017 and to make significant progress in ending homelessness across all other populations.

**Partnering With Communities to Expand Opportunity.** The Budget supports the Administration's Promise Zones initiative, which forms partnerships among the Federal Government, local communities, and businesses to create jobs; increase economic security; expand educational opportunities; increase access to quality, affordable housing; and improve public safety. The President named the first five Promise Zones in 2014 and will designate an additional 15 Zones by the end of calendar year 2016. In support of Promise Zones, the Budget requests \$250 million for the Department of Housing and Urban Development's Choice Neighborhoods program and \$150 million for the Department of Education's Promise Neighborhoods program. The Budget also includes Promise Zone tax incentives to stimulate growth and investments in targeted communities, such as tax credits for hiring workers and incentives for capital investment within the Zones.

The Budget also includes \$50 million for the Department of Agriculture's (USDA) community facilities grants program to address ongoing needs and emerging priorities, including Promise Zones, Energy Sector Transition, Generation Indigenous, and Strike Force Communities. The community facilities program targets grants and direct loans to rural communities with fewer than 20,000 residents. These funds will allow USDA to be responsive to new needs in communities across rural America and target them in a flexible way. In addition, the Budget includes \$2.2 billion in community facilities direct loans.

**Supporting Innovative Projects to Improve Upward Mobility.** A new initiative, the Upward Mobility Project, will allow up to ten communities, States or consortia of States and communities to combine funds from four existing block grant programs designed to promote opportunity and economic development and reduce poverty to test and validate promising approaches to help families become more self-sufficient, improve children's outcomes, and revitalize communities so they can provide more opportunities for their residents. This initiative builds on prior Administration evidence-building and place-based efforts by coupling greater flexibility in a discrete set of grant programs with smarter accountability for results. Projects must utilize evidence-based strategies, track program performance, and evaluate intervention effectiveness. The funding streams that States and communities can apply to use - including the Department of Health and Human Services' Social Services Block Grant and Community Services Block Grant, and the Department of Housing and Urban Development's Community Development Block Grant, and HOME Investment Partnerships Program - share a common goal of promoting opportunity and reducing poverty. In addition to these funds, participating communities will be eligible to receive a total of \$1.5 billion in new funding over five years, to combine with the added flexibility with currently provided resources.

**Supporting Local Efforts to Develop More Responsive and Diverse Housing Markets.** The Budget proposes a new \$300 million Local Housing Policy Grants program administered by HUD. This program will provide grants to localities and regional coalitions of localities to increase economic growth, access to jobs, and improve housing affordability by supporting new policies, programs or regulatory initiatives, such as design options, process changes, and land use or zoning regulations, to create a more responsive and diverse housing supply.

**Combatting Rural Youth Poverty.** The Budget includes funding for a new program to combat rural youth poverty. Rural childhood poverty rates are at their highest point since 1986 — one in four children live in poverty. Deep poverty among children is more prevalent in rural areas (12.2 percent) than in urban areas (9.2 percent). To help alleviate this growing disparity the Budget provides \$20 million to support innovative strategies to combat rural child poverty by focusing on both children and the parents with a bundled services approach.

## **ENSURING ACCESS TO QUALITY, AFFORDABLE HEALTH CARE**

Efficiently and effectively implementing the ACA is one of the Administration's highest priorities. The Budget fully funds the ongoing implementation of the ACA, which has already driven the share of Americans without health insurance to near its historic lows. The Budget continues to support implementation of the ACA's health insurance coverage improvements through the operation of Health Insurance Marketplaces and the delivery of premium tax credits and cost sharing assistance to help make coverage affordable, reduce the growth of health care costs, and improve care for millions of citizens.

**Implementing the Affordable Care Act.** The Affordable Care Act (ACA) has taken significant steps toward putting the Nation back on a sustainable fiscal course while laying the foundation for a higher quality, more secure health care system. Through premium tax credit and cost sharing assistance to make coverage affordable and increased Federal support to States expanding Medicaid coverage for newly eligible low-income adults, ACA ensures that every American can access high-quality, affordable coverage, providing health insurance to millions of Americans who would otherwise be uninsured, and strengthening coverage for those who already had insurance.

Now in the second year of full ACA implementation, millions of people have enrolled in either private insurance through the Health Insurance Marketplace or for coverage through Medicaid and the Children's Health Insurance Program (CHIP). Additionally, millions more young adults already have gained coverage under the health care law by staying on their parents' plans until their 26<sup>th</sup> birthday.

While there is more work to be done, we now live in an era where no family will be denied coverage because of a pre-existing condition like high blood pressure or asthma. No American will have to worry that losing a job means he or she can't get health coverage. And small businesses may be able to get financial help to pay for new affordable coverage options for their employees.

The challenges in our health care system were decades in the making and will not be solved overnight, but millions of Americans have signed up for insurance and are getting the peace of mind of knowing that they can get the care they need without losing everything they have worked and saved for. And Americans across the country have the security of knowing that if they want to change jobs or start their own business, they will have access to affordable health insurance for their family.

## **PROVIDING SECURITY FOR AMERICAN WORKERS AND RETIREES**

**Raising the Minimum Wage.** In a Nation as wealthy as the United States, far too many workers are living below the poverty line. Over the past 30 years, modest minimum wage increases have not kept pace with the higher costs of basic necessities for working families. The Administration supports raising the minimum wage so hard-working Americans can earn enough to support their families and make ends meet. Many companies, from small businesses to large corporations, also see higher wages as the right way to boost productivity, reduce turnover, and increase profits. Raising the minimum wage is good for workers, their families, and the economy.

Since the President made his initial call to raise the minimum wage in the 2013 State of the Union, 17 States and the District of Columbia, as well as cities and businesses across the country, have taken action to raise wages which will benefit 7 million workers. The President is calling on States, cities, and businesses to follow that lead and help raise wages for millions of additional workers and for Congress to finally act so that no one who works full time lives in poverty. Additionally, the President will propose steps to ensure that our minimum wage laws are enforced. Currently, some of the penalties against employers who fail to pay their workers a minimum wage are not strong enough to deter violations. Some studies have even found that it is cheaper for firms not to comply with minimum wage laws, even when firms know they will be caught. In response, the President will propose strengthening penalties against employers who jeopardize workers' health, safety, wages, right to family and medical leave and retirement security. This includes levying larger penalties against employers that intentionally keep fraudulent wage and hour records or no records at all, which is-- of the ways irresponsible employers game the system to cheat their workers out of hard-earned wages.

**Protecting the Health, Safety, Wages, Working Conditions, and Retirement of American Workers.** The Budget includes nearly \$1.9 billion for the Department of Labor's worker protection agencies, putting them on sound footing to meet their responsibilities to defend the health, safety, wages, working conditions, and retirement security of American workers. The Administration is also pursuing a combination of executive and legislative actions to strengthen these laws and their enforcement, so workers can earn wages that will allow them to sustain their families, be protected from discrimination, and return home safely at the end of a day's work. In addition, while enforcement and compliance resources are vital to improving adherence with our Nation's labor and employment laws, many of these laws impose weak penalties or no penalties at all on employers who do not meet their responsibilities. The Budget proposes to strengthen the Department of Labor's civil penalties, and also improve the Federal Civil Penalties Inflation Adjustment Act, which was established to maintain the deterrent effect of civil monetary penalties government-wide through timely and predictable inflationary adjustments but falls short of this goal as it is currently structured.

**Encouraging State Paid Leave Initiatives.** Too many American workers must make the painful choice between caring for their families and a paycheck they desperately need. While the Family and Medical Leave Act allows many workers to take job-protected unpaid time off to care for a new baby or sick child, or tend to their own health during a serious illness, millions of families cannot afford to use unpaid leave. A handful of States have enacted policies to offer paid leave, and the Federal government can encourage more States to follow their lead. The Budget includes \$2 billion for the Paid Leave Partnership Initiative to assist up to five States that wish to launch paid leave programs, following the examples of California, New Jersey, and Rhode Island. States that participate in the Paid Leave Partnership Initiative would be eligible to receive funds for the initial set up and half of the benefit costs of the program for three years. The Budget also includes a \$35 million State Paid Leave

Fund to provide technical assistance and support to States that are still building the infrastructure they need to launch paid leave programs in the future.

**Modernizing the Unemployment Insurance Safety Net.** The Budget proposes a cost-neutral suite of reforms to modernize the Unemployment Insurance (UI) program, which provides critical income support to those who are unemployed through no fault of their own. These reforms will improve the connection to work by incentivizing states to provide more training, subsidized jobs, reemployment services, and relocation assistance. The reforms would also improve the solvency of State programs, reach more workers who lose their jobs, and make the UI program more targeted and responsive in unfolding economic downturns by implementing an Extended Benefits program that provides added benefits as soon as a State experiences a sharp rise in unemployment.

**Helping All Workers Save for Retirement.** As many as 78 million working Americans - about half the workforce - don't have a retirement savings plan at work. Fewer than 10 percent of those without plans at work save in a retirement account on their own. Social Security is and must remain a rock-solid, guaranteed progressive benefit that every American can rely on, but too many Americans reach their golden years without enough to supplement their Social Security and enjoy a secure retirement after a lifetime of hard work. Our Nation needs to do more to help families save. The Budget includes the following proposals that would make saving easier for millions of Americans currently without employer-based retirement plans:

- **Automatically Enroll Americans without Access to a Workplace Retirement Plan in an IRA.** Under the proposal, every employer with more than 10 employees that does not currently offer a retirement plan would be required to automatically enroll their workers in an IRA. Auto-IRAs would let workers opt out of saving if they choose but would also let them start saving without sorting through a host of complex options. Auto-IRA proposals have been endorsed by independent scholars across the ideological spectrum, including those affiliated with AARP, the Brookings Institution and the Heritage Foundation.
- **Provide Tax Cuts for Auto-IRA Adoption, and for Businesses that Choose to Offer More Generous Employer Plans or Switch to Auto-Enrollment.** To minimize the burden on small businesses, the President's auto-IRA proposal would provide any employer with 100 or fewer employees who offers auto-IRA a \$3,000 tax credit. The President also proposes to triple the existing "startup" credit, so small employers who newly offer a retirement plan would receive a tax credit of \$4,500 – more than enough to offset administrative expenses. And because auto-enrollment is the most effective way to ensure workers with access to a plan participate, small employers who already offer a plan and add auto-enrollment would get an additional tax credit of \$1,500.
- **Expand Retirement Savings Options for Long-Term, Part-Time Workers.** Under current law, just 37 percent of part-time workers have access to a retirement plan, as compared to 74 percent of full-time private workers, in part because employers are permitted to exclude part-time workers from a retirement plan they otherwise provide. The Budget would ensure that employees who have worked for an employer at least 500 hours per year for at least three years are eligible to participate in the employer's existing plan. Employers would not be required to offer matching contributions. This proposal would provide approximately one million individuals with access to retirement plan coverage.

- **Encourage State Retirement Savings Initiatives.** A number of States have been exploring options for creating automatic retirement accounts for workers in the private sector who do not otherwise have access to a workplace retirement plan. However, concerns about potential conflict with the Federal law that governs employee benefit plans has slowed those efforts. To better support State efforts, the Budget sets aside \$6.5 million at the Department of Labor, along with waiver authority, to allow a handful of States to pilot and evaluate State-based 401(k)-type programs or automatic enrollment IRAs.
- **Expand Penalty-free Withdrawals so the Long-term Unemployed Can Draw upon Their Savings, Not Go Further into Debt.** Current law allows people who have been unemployed for 3 months to use money from their IRAs penalty-free to pay for health insurance, but not for other expenses. The President proposes to expand the exception to allow long-term unemployed individuals, those who have been unemployed for more than 6 months, to withdraw up to \$50,000 per year for two years from any tax-preferred retirement account for any use.

The above proposals would give 30 million more workers access to a workplace savings opportunity and build on the President's actions over the past year to make retirement saving easier by creating the simple, risk-free, and low-cost "myRA" starter savings vehicle.

**Expanding the EITC for Childless Workers.** The Earned Income Tax Credit (EITC) is a pro-work tax credit that reduces poverty and promotes employment among families with children. However, the EITC available to childless workers and non-custodial parents is much smaller with a maximum of \$500, phases out when workers still have very low earnings, and is unavailable to workers under age 25, which means that it cannot shape work decisions during the crucial years at the beginning of a young person's career. The Budget will double the maximum credit (to \$1,000), making the credit available to workers up to about 150 percent of the poverty line. It would also expand eligibility to workers age 21-24, encouraging employment and on-the-job experience for young adults, helping them to make ends meet. The proposal would reduce poverty and hardship for 13.2 million low-income workers struggling to make ends meet while promoting employment.

**Ensuring that the EITC and CTC Continue to Support Working Families.** The President continues to propose making permanent improvements to the EITC and Child Tax Credit (CTC) that augment wages for 16 million families with 29 million children each year. These improvements provide additional benefits to low-income working parents, families with three or more children, and married families, but are currently scheduled to expire at the end of 2017. Allowing these benefits to expire would result in a roughly \$1,700 tax increase for a full-time minimum wage worker with two children. Research has consistently shown that the helping low-wage working families through the EITC and CTC not only boosts parents' employment rates and reduces poverty, but has positive longer-term effects on children, including improved health and educational outcomes.

## **FIXING OUR BROKEN IMMIGRATION SYSTEM**

The President believes that we must fix our broken immigration system by enacting commonsense immigration reform that continues to strengthen our border security, cracks down on employers who hire undocumented workers, modernizes our legal immigration system, and provides a pathway to earned citizenship for hardworking men and women who pass background checks, pay a penalty and taxes, learn English, and go to the back of the line.

In addition to making the country more secure and communities safer, commonsense immigration reform will boost economic growth, reduce deficits, and strengthen Social Security. The Congressional Budget Office has estimated that the immigration bill that passed with bipartisan support in the Senate last Congress would reduce the deficit by about \$160 billion in the first decade and by almost \$1 trillion over 20 years. Meanwhile, the Social Security Actuaries have found that the bipartisan Senate bill would reduce the Social Security shortfall by \$300 billion over the first 10 years and would close 8 percent of the 75-year Social Security shortfall. By adding younger workers to the labor force, reforming our broken legal immigration system will help balance an aging population and improve the economic and budget outlook as the baby boom generation retires.